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News Release

FOR IMMEDIATE RELEASE

Friday, Dec. 7, 2007

Two Utah men sentenced for falsely promising school districts free fitness equipment

Two executives of a Utah-based charity that promised “free” fitness equipment to hundreds of school districts throughout the nation received significant sentences today in federal court.

Federal District Court Judge Joan E. Ericksen sentenced Cameron J. Lewis, 36, Highland, Utah, and his father, J. Tyron Lewis, 65, Monticello, Utah, Dec. 7 in Minneapolis. Cameron Lewis was sentenced to 17 years in prison, while Tyron Lewis’s sentence was more than five years. Both defendants must pay approximately \$39.1 million in restitution.

Both were convicted in December 2006 by a federal jury on five counts of mail fraud, nine counts of wire fraud, one count of bank fraud, one count of conspiracy to launder funds and 13 counts of money laundering. Cameron Lewis was also convicted on one additional count of money laundering. After a five-week trial, the jury deliberated less than two days before finding the defendants guilty of those crimes.

“The schools would not have used taxpayer dollars for this,” Ericksen told Cameron Lewis. “You knew the system wasn’t going to work. I hope you can turn your talents to something productive.”

According to court documents and trial evidence, from 1999 to May of 2004, Cameron Lewis and Tyron Lewis operated National School Fitness Foundation (NSFF), a company that marketed and sold fitness programs and equipment to school districts across the nation.

Throughout the fraud scheme, Cameron Lewis was the chief executive officer and Tyron Lewis was the chairman of the board of trustees for that company. Through NSFF, the defendants promised school districts throughout the country that they could obtain the fitness equipment “free” based on NSFF repayments to schools with funds raised through government grants and private donations.

Cameron Lewis and Tyron Lewis also told schools that NSFF was operating as a non-profit

charity. School districts typically obtained financing from banks to purchase the fitness equipment, with the understanding that they would be reimbursed by NSFF over three years from the funds that had been raised if they complied with NSFF's data submission requirements. Some school districts, like Minneapolis, paid from their own budgets.

What Cameron Lewis and Tyron Lewis failed to disclose to schools, however, was that they personally profited from NSFF, including payments from vendors. They also failed to disclose to schools the almost complete lack of fund raising and the company's precarious financial condition.

Instead, the evidence at trial showed, Cameron Lewis and Tyron Lewis operated a Ponzi-type scheme in which prior school districts were almost exclusively repaid using funds obtained from subsequent school districts. Eventually, more than 350 school districts and dozens of banks throughout the nation lost nearly \$40 million in the scheme.

Trial evidence also showed that Cameron and Tyron Lewis paid themselves on the eve of the company's collapse, before repaying school districts and banks. In March 2004, when NSFF's financial circumstances were especially precarious because of outstanding obligations owed to school districts, Cameron Lewis and Tyron Lewis paid themselves approximately \$1.4 million under the guise of a repayment of a loan.

Evidence at trial also showed that Cameron Lewis and Tyron Lewis conspired to launder hundreds of thousands of dollars in proceeds from their fraud by making lulling payments to school districts and using funds to remodel their homes.

Two co-defendants pleaded guilty in 2006. Cameron Lewis' sister, Shanna L. Black, 28, Lehi, Utah, pleaded guilty in February 2006, to a misdemeanor charge in connection to the operation of National School Fitness Foundation. NSFF's former chief financial officer, Marion H. Markle, 45, Highland, Utah, pleaded guilty in April 2006, to a felony related to the scheme to defraud and testified for the government at trial.

Guilty pleas were also obtained in a related case. Joseph Mont Beardall, the owner and president of School Fitness Systems, LLC, and the company, School Fitness Systems (SFS), pleaded guilty in July 2004 to defrauding financial institutions and Minnesota school districts of more than \$1 million. Beardall also cooperated with the investigation and testified for the government.

SFS managed the delivery and installation of fitness equipment, as well as received payments from schools which were divided between NSFF and SFS. As part of his plea agreement, Beardall agreed to pay restitution to victims by selling all his personal and real property and having School Fitness Systems surrender its assets, including inventory and bank accounts valued at approximately \$2.6 million to be paid toward restitution.

This case was the result of a multi-agency investigation by the Federal Bureau of

Investigation; the Internal Revenue Service-Criminal Investigation Division; the United States Postal Inspection Service; the Minnesota Department of Commerce, Division of Enforcement; the Minnesota Office of State Auditor; and the Minnesota Attorney General's Office. The Illinois, California, and Pennsylvania attorneys general also assisted in the investigation of this case. Assistant U.S. attorneys Robert M. Lewis and W. Anders Folk prosecuted the case.

"This sentence should serve as a warning for those who wish to commit fraud at the expense of our children," said U.S. Attorney Rachel K. Paulose. "The money laundering scheme against school districts across the country which was prosecuted here was a complex, high-dollar enterprise, and we are pleased to see its perpetrators brought to justice."